



# Thrift Savings Plan

P.O. Box 385021  
Birmingham, AL 35238

February 2008

Dear TSP Participant:

As my first anniversary as Executive Director of the Federal Retirement Thrift Investment Board approaches, I am pleased to look back on 2007 and announce our plans for 2008. The Thrift Savings Plan is continuing to grow—we currently have over 3.8 million participants and more than \$233 billion in assets. Because we are committed to providing you with an outstanding retirement plan, we are undertaking major projects to enhance our services while also keeping costs as low as possible.

In 2007, we sent two legislative initiatives to Congress, requesting authority to automatically enroll newly hired Federal employees and uniformed service members in the TSP and to designate the Lifecycle (L) Funds as the default fund for new participants. These two changes are designed to ensure that employees and uniformed service members start saving as soon as possible for their retirement and that those who express no investment preference use an age-appropriate L Fund. We will work with the Congress to advance these initiatives in 2008.

Another issue we tackled—and one that has received some press attention—is the impact of frequent trading on the TSP. In recent months, it has become clear that a very small number of TSP investors are engaging in frequent trading. Upon careful review, we determined that this activity results in substantially increased transaction costs and greater risk of performance deviations from the funds' benchmarks. This affects everyone invested in the funds. For example, in 2006, transaction costs caused all long-term investors in the I Fund to earn 0.08% less than they otherwise would have.

The Board has approved a policy that would limit participants to two interfund transfers per month, with unlimited subsequent transfers to the G Fund. We have obtained input from the employee unions and organizations representing Federal and postal employees as well as the uniformed services. We are currently concluding the normal public rulemaking process under the Administrative Procedures Act, which includes publishing the proposed regulations in the Federal Register (and on [www.tsp.gov](http://www.tsp.gov)) and evaluating the comments received. Once the final decision is made regarding the approach to be taken, we will announce it to all participants.

As we move forward to curb frequent trading, I want to remind you that, based on their current behavior, 99% of participants will not be affected by the proposed restrictions. We have posted a set of Questions and Answers about the frequent trading activity as well as the November 6, 2007 memorandum to the Board and the accompanying presentation under "Information About Interfund Transfer Restrictions" on the TSP Web site Home page. We feel strongly that the detrimental effects

of frequent trading on fund performance must be dealt with and encourage you to read the materials we have made available so you understand why we are pursuing the trading restrictions.

On a different note, in 2007, we laid the groundwork for enhanced security on the TSP Web site by introducing more complex passwords and by replacing our use of your Social Security number with a TSP account number. I'm sure that many of you will be very pleased to hear that this year we will add a feature to the web site to allow you to log on with a customized user ID instead of your 13-digit account number. Additional security measures are also in the works since, as you know, identity thieves are constantly changing their tactics and posing a significant threat throughout the financial world.

And speaking of the TSP Web site, we have begun a comprehensive redesign of [www.tsp.gov](http://www.tsp.gov)—looking not only at the information we provide to you, but also at the best-in-class features that can be added to make it easier, faster, and possibly more fun to use. We know that many participants prefer to use the TSP Web site to conduct their business with the TSP because it's convenient and available 24 hours a day, 7 days a week. Our goal is to expand the web site's services without compromising its simplicity of design. We'll update you with more information about these changes at [www.tsp.gov](http://www.tsp.gov).

Lastly, I'm pleased to provide our new Annual Participant Statement, which is enclosed with this letter. Most of our participants access their quarterly statements and the *TSP Highlights*, our newsletter, via the TSP Web site. Consequently, it's difficult to communicate with all 3.8 million of you at once without a special (and costly) mailing. The annual statement—which includes not only summary account information, but also your personal investment performance, beneficiary information, and special messages—and its accompanying Executive Director's letter give me an opportunity to talk to you directly about happenings at the TSP. I hope you take the time to review your statement and the accompanying enclosures.

Please watch the TSP Web site for more news about your Thrift Savings Plan. It should be an exciting year of changes.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Long', written over a light blue horizontal line.

Gregory T. Long  
Executive Director

Enclosures